

**THE FINAL REPORT OF THE
GEORGIA HOUSE STUDY COMMITTEE ON
LOCAL GOVERNMENT UTILITY PAYMENT OPTIONS FOR CUSTOMERS IN NEED OF
ASSISTANCE**

COMMITTEE MEMBERS

**Honorable Karla Drenner, Chair
Representative, District 85**

**Honorable John Deffenbaugh
Representative, District 1**

**Honorable Matt Dollar
Representative, District 45**

**Honorable Don Parsons
Representative, District 44**

**Honorable Bruce Williamson
Representative, District 115**

INTRODUCTION

The Georgia House of Representatives created the House Study Committee on Local Government Utility Payment Options for Customers in Need of Assistance in 2017 through the passage of House Resolution 560. The committee was established to investigate the best way to assist customers who receive temporary assistance, social security benefits, or other aid who are sometimes unable to pay their utility bills in a timely manner.

The committee mainly focused on water utility issues throughout the course of the committee meetings, hearing from a range of water professionals about utility payment options, as well as general management and governance of water utilities.

Representative Karla Drenner (85th) chaired the committee, which also included four additional members of the House: Representative John Deffenbaugh (1st), Representative Matt Dollar (45th), Representative Don Parsons (44th), and Representative Bruce Williamson (115th). The House Budget and Research Office assigned Mr. Blake Doss to assist the committee. Mr. Paul Higbee was assigned by Legislative Counsel to the committee, as well.

The committee held five public meetings, four at the State Capitol in Atlanta and one in DeKalb County, to hear from several speakers. The following speakers testified to the committee:

October 25, 2017 — Coverdell Legislative Office Building

Jac Capp (Watershed Protection Branch Chief, Georgia Environmental Protection Division); Kevin Clark (Executive Director, Georgia Environmental Finance Authority); and Stacey Isaac Berahzer (Senior Project Director, Environmental Finance Center at UNC).

November 1, 2017 — Coverdell Legislative Office Building

Mohamed M. Balla (Deputy Commissioner Financial Administration, CFO Atlanta Department of Watershed Management); Mike Thomas (General Manager, Clayton County Water Authority); Gil Shearouse (Executive Director, Douglasville-Douglas County Water and Sewer Authority); and Pam Burnett (Executive Director, Georgia Association of Water Professionals).

November 6, 2017 — DeKalb Maloof Auditorium

Tyler Richards (Assistant Director, Gwinnett County Water Resources); Kathleen Andres (REALTOR, Avenue Realty); Scott Towler (Director, DeKalb County Department of Watershed Management); and William Rhinehart (Deputy COO, DeKalb County Infrastructure).

November 13, 2017 — Coverdell Legislative Office Building

Kevin Clark (Executive Director, Georgia Environmental Finance Authority); Gil Shearouse (Executive Director, Douglasville-Douglas County Water and Sewer Authority); and Erik Anderson (Vice President, WaterSmart).

November 29, 2017 — Coverdell Legislative Office Building

No speakers testified at this meeting, which was used to discuss and approve this report.

BACKGROUND

Many water utility customers across the state have been affected by abnormally high water bills over the past few years, which have been caused by leaks, faulty meter reading, and other problems. Some customers — especially those in low-income households — have had difficulty not only paying the high bills, but finding a transparent and easy flow of communication with their water utility.

Furthermore, the committee heard testimony that described many low-income customers are unable to afford normally-priced water bills.

Many of these low-income customers “are receiving temporary assistance for needy families (TANF); aid to the aged, blind, and disabled (AABD); benefits from general assistance or supplemental security income; income from social security benefits or veterans benefits; or unemployment compensation benefits,” according to House Resolution 560.

The study committee heard from several experts and water professionals throughout the first four meetings about problems that face water utilities, and about programs that some utilities have instituted to help low-income households. Many of these problems can lead to increased expenses, higher water rates, and poor water conservation.

Water Utility Customer Assistance Programs (CAP)

As stated in the resolution, many households across Georgia contain low-income or needy families who sometimes have a difficult time paying their water bills, regardless of how high.

Nationwide state and local government spending on water and wastewater utilities, according to Stacey Isaac Berahzer of the Environmental Finance Center at UNC, has continued to grow since the 1980s, while federal spending has declined.

Therefore, she argued that local utilities should be in the best position to understand what their customer base needs.

According to Berahzer’s presentation, 42% of water utilities in Georgia use a uniform/flat rate system for their residential water billing structure, while another 48% uses an increasing block/tiered system that features increasing water rates as consumption increases. The other 10% use a different system altogether. The median monthly amount charged in Georgia for 5,000 gallons of water usage is \$26.25, according to her presentation.

Additionally, about 51% of utilities use a uniform/flat rate for their wastewater rate, while 18% use an increasing block format. The median monthly charge for 5,000 gallons of wastewater is \$29.71, according to Berahzer’s presentation.

In response to low-income households that sometimes have trouble paying their water bill, some utilities have instituted affordability programs. These programs are generally beneficial to both the customer and utility, as they typically lead to better conservation methods, to the repair of leaks, and to the utility receiving some type of payment.

Funding for these programs can come from several areas, including voluntary contributions received in customer payments, rental income from cell phone companies using water towers, and revenue generated directly from customer rates, Berahzer stated.

However, in Georgia, funding CAPs with revenue from customer rates may be a problem due to Article IX, Section II, Paragraph VIII of the state constitution:

Limitation on the taxing power and contributions of counties, municipalities, and political subdivisions. The General Assembly shall not authorize any county, municipality, or other political subdivision of this state, through taxation, contribution, or otherwise, to appropriate money for or to lend its credit to any person or to any nonpublic corporation or association except for purely charitable purposes.

The Georgia Supreme Court, according to Atlanta Department of Watershed Management Deputy Commissioner of Financial Administration Mohamed M. Balla, defines gratuity or donation as something given freely or without recompense, or something given in return for a favor or a service.

Local utilities may be hesitant to fund a CAP with revenue because they fear it could be construed as illegally appropriating money. “Without the use of rate revenues,” Berahzer stated, “most of the CAPs across the country are small and can’t address the total customer need.

In addition to the constitution, some local ordinances may also block utilities from funding CAPs with revenue generated from water and sewer rates.

The City of Atlanta funds its affordability programs with rate generated revenue. In response to the potential constitutional issue, the city reviewed the Georgia Supreme Court ruling in *Smith v. Board of Commissioners of Hall County*. That ruling states that “no gratuity or donation is involved when the local government receives substantial benefits in return for the use of its property,” Balla stated.

Therefore, the Atlanta Watershed claims its affordability programs provide a “direct and substantial benefit” to its system through several factors, including water conservation and improved customer accessibility of water.

Consent Decrees and Problems in DeKalb County

One of the major problems facing water utilities, particularly larger systems with aging infrastructure, such as those found in Atlanta and DeKalb County, is consent decrees. A consent decree or order is one way the Georgia Environmental Protection Division (EPD) enforces compliance with state and federal water quality rules and regulations. Consent orders may also be made by a court, as the EPA also retains authority to take action.

A consent decree is a formal, enforceable agreement between the EPD and the utility to resolve violations, said EPD Watershed Protection Branch Chief Jac Capp during the first meeting. An order can include a monetary settlement, a compliance schedule to fix the issue, or other enforcement options. Both the DeKalb County and Atlanta Watershed departments are under consent decrees.

Consent decrees can lead to an increase in water and sewer fees because the utility may face increased debt to fix the outstanding problem during the consent order’s schedule. In Atlanta’s case, long-term debt increased from \$500 million to \$3.5 billion from 1998 to 2009, according to Balla.

In addition to DeKalb County's consent decree, many of the county's water customers have been met with abnormally large water bills due to inaccurate billing, malfunctioning meters, and other problems, according to several Atlanta Journal-Constitution articles.

According to testimony from DeKalb County employees William Rhinehart and Scott Towler, much of the DeKalb County infrastructure is over 100 years old, which explains the failing systems and consent decree. Currently, the county is working on the sewer improvements, per the consent decree, which resulted in an annual rate increase of 11% from 2012 to 2014, they added. Rhinehart explained that they are meeting the consent decree schedule, but there is still a lot of work left before completion.

In response to the large water bills, some reportedly as high as \$5,000, Rhinehart said no household will lose water connection until the water billing issue is worked out. He added that the Watershed's customer care staff is working with customers to mediate the issues they are facing.

COMMITTEE FINDINGS

Affordability Programs

The committee finds that affordability programs are of vast importance to low-income and needy households.

Counties with high poverty rates, such as Clayton County (23%), have instituted several CAPs. Clayton County has a hardship assistance program, according to Clayton County Water Authority Mike Thomas. The program partners with the Salvation Army and Clayton County Community Services to help income-qualified customers pay their bills.

Clayton County also has a senior citizen discount program for those who are 65 or older and make \$25,000 or less. Qualified customers receive a \$5 discount on their bill — \$2.50 for water and \$2.50 for sewer.

The City of Atlanta's Care and Conserve Program, which is partially funded by rate revenue, helps provide affordability through water and sewer bill payment assistance, plumbing repair assistance, and conservation fixtures to single-family, low-income residential customers. The Care and Conserve Program also helps customers understand and manage their water bills and sends out landlord leak letters, Balla said.

Balla said that applicants to the program can receive up to \$1,000 for bill payment assistance and up to \$3,000 for bill payment assistance that is associated with a leak. In addition to this assistance, those who meet the city's low-income guidelines (two times the federal poverty limit) can receive plumbing and leak repair assistance. This portion of the program requires the customer to own and occupy the property.

The committee finds that water and sewer systems are vital to the community and that affordability programs can help foster good will between customers and the utility. Additionally, these CAPs can lead to better conservation of water, some generation of revenue, and the prevention of customers losing their homes due to high utility bills.

Aging Infrastructure and Consent Decrees

The committee discovered that more established urban water utilities face an aging infrastructure that is increasingly more expensive to replace due to the large amount of concrete and asphalt in large cities.

This aging infrastructure has contributed to water lines bursting, water mains breaking, and sewer overflows that lead to the cities or counties, such as Atlanta or DeKalb County, receiving expensive consent decrees. Furthermore, the committee finds that some of these problems could be avoided if the utilities would implement preventative measures earlier.

These preventative measures include an increased portion of the budget to be used on maintenance and replacement of aging infrastructure, replacement of infrastructure when portions of the road/sidewalk are dug up for other purposes, and mapping current infrastructure on a GIS system.

Funding CAPs

As Georgia is considered a home rule state, the committee finds that local water utilities should be able to implement an affordability program that best fits their needs, including the use of rate revenue if they see fit.

Berahzer recommended three options when state law is ambiguous about the implementation of CAPs.

Option one is for the General Assembly to “introduce statutory language that addresses affordability programs in clear, unambiguous terms.”

Option two is to “develop an argument for why a CAP conforms to existing statutes and is not affected by perceived limitations.”

Option three is to “develop an alternative program that does not rely on direct customer rate revenue to fund the assistance to low-income individuals.”

GIS Mapping

A utility’s knowledge of its inventory or infrastructure is also an important component to the management of maintenance and expenses.

Tyler Richards, the assistant director of Gwinnett County Water Resources, stated that the county uses a geographic information system (GIS) to map its existing infrastructure.

Some cities and counties may face a problem with sorting through old paperwork to find current water and sewer lines within their boundaries. A GIS map allows Gwinnett County to know its total capacity as well as where critically aged infrastructure is or will be located in the future.

Governance Models

Several speakers were questioned about the governance structure of their water utilities and who has the authority to set the utilities’ water rates.

Some water departments are considered authorities, meaning they are mostly independent of the political ramifications of county and city government councils. This typically means that an authority's budget is solely dependent on its revenue and the rates that it independently sets.

While not always the case, some water utilities that have to get approval from local governments before setting rates and receiving a budget can find that their rates are made artificially low (not reflecting the true cost of water) to please political constituents.

Smart Metering

WaterSmart and Douglasville-Douglas County Water and Sewer Authority's spoke about the benefits of the implementation of software and smart metering technology.

Gil Shearouse, the executive director of the Douglasville-Douglas County Water and Sewer Authority, described the ongoing process of implementing smart metering technology in his county. This technology allows data to be digitally transmitted from the meters.

Not only does this diminish the need for manual meter reads, but it also allows the authority to give better customer service and lead to better conservation. Instead of a leak being identified after several days or weeks, the utility can read water usage values by the hour, identifying a leak early and notifying the homeowner before the bill dramatically increases.

Smart meters are also more accurate than older meters, meaning they register a more correct amount of water volume usage.

Additionally, this electronic metering technology will eventually allow for a customer dashboard to be created, Shearouse said. This will allow customers to monitor their water usage online and make changes as they see fit.

In addition to smart metering technology, WaterSmart recommends water utilities use its software. WaterSmart, whose goal is to work with utility partners to develop system resilience, currently serves 4% of the country's market.

Upgraded software can help customers communicate with the utility on their smartphones, create automated alerts if leaks are detected, set payment reminders, get updates on water quality, and other "proactive customer engagement" abilities, according to WaterSmart Vice President Erik Anderson.

COMMITTEE RECOMMENDATIONS

The following recommendations were suggested by committee members and presenters.

Recommendations

- Any utility payment assistance programs for seniors should take into account the potential increase in senior population due to the imminent retirement of the baby boomer population.
- Water utilities should explore leasing out space on their water towers to telecommunication companies. Revenue from such leases could potentially be used to fund low-income customer assistance programs.
- Water utilities should explore installing smart meters to help detect leaks sooner and give customers a quicker and more accurate read of their water consumption.
- Water utilities that use quarterly payment systems should move to a monthly payment system to prevent surprising and large water bills due to leaks or other problems.
- Water utilities should explore giving rebates and other benefits for households that install water efficient products.
- Water utilities should explore creating additional programs to help low-income households.
- Water utilities should partner with local nonprofits to help low-income and needy households.
- Water utilities should explore ways of communicating with and helping low-income renters pay their water bills and find leaks.
- Water utilities should look at providing alternate payment dates or flexible payment plans for households that can't afford a large water bill. Additionally, they should explore adding a certain amount of bill adjustments and payment arrangements per year. For example, the Clayton County Water Authority allows two payment adjustments and four payment arrangements per year.
- Water utilities should offer customers the ability to request an alternate payment due date if that customer receives a federal assistance check that comes after the typical due date.
- Water rates should reflect the "true" cost of water.
- Water utilities should explore advertising rate changes and educating the public on the true cost of water and the failure of older infrastructure.
- A significant portion of a water utility's budget should be used for maintenance and replacement of older infrastructure.
- Water utilities should be separate authorities, as to remove them from the political decision-making of local governments.
- Water utilities should explore mapping their current and future infrastructure with a GIS system, which could potentially help the utility plan for the future and know its total system capacity.
- Water utilities should explore forgiving large bills due to leaks if the customer makes an effort to repair the leak.
- The Georgia Constitution clause about donations should be clarified to allow water utilities to fund customer assistance programs through their rate revenues.

- DeKalb County should consider the recommendations and information discussed in the KMPG report that assessed the county's metering and billing system.
- DeKalb County should consider hiring an outside firm to study the county's sewer system and make recommendations to improve the system.
- DeKalb County should work to increase public confidence by increasing transparency and accountability through better software, programs, and customer service.